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TAGS: [ETRD](#) [CA](#) [CITT](#) [NAFTA](#)

SUBJECT: Canada reacts to invasion of (not on) bicycles

Summary: The Canadian International Trade Tribunal (CITT) has commenced a global safeguard inquiry into a complaint regarding the importation of bicycles and finished painted bicycle frames. In response to a complaint from Canadian bicycle manufacturers who fear that low-priced imports (primarily from Asia and Eastern Europe) will drive their domestic production out of business, the CITT will examine the possible need for higher import duties on bicycles. Although U.S. manufacturers should be exempted under NAFTA rules (CITT will determine eligibility for exemption based on questionnaires that have been sent to foreign producers, importers, domestic producers, and purchasers), U.S. exporters could be affected. Since over 95% of U.S. bicycle companies manufacture their products overseas, the NAFTA exemption is almost meaningless. End Summary.

1. In January, CITT informed the Embassy that it had received a complaint from the Canadian Bicycle Manufacturers Association (CBMA) requesting that CITT "initiate a global safeguard inquiry into the importation of bicycles, assembled and unassembled, with a wheel diameter greater than 15 inches...and finished painted bicycle frames, assembled or unassembled." This is only the second time a Canadian industry has asked for safeguard measures against imports. The Canadian industry is under pressure from increasing low-cost bicycle imports, primarily from China and other Asian countries. Canadian bicycle manufacturers claim that imports increased by close to 60 percent in the last few years and now comprise the majority of the Canadian market. (Comment: A major U.S. bicycle manufacturer claims, however, that Canadian manufacturers still have over half of the Canadian market. Numbers from a 2002 Foreign Commercial Service (FCS) report indicate that as recently as 2001, Canadian manufacturers held the majority of the Canadian market, assisted by anti-dumping legislation which limits the number of bicycles under \$274 allowed to be imported into Canada. However, one of the three main Canadian manufacturers in 2001 has since gone out of business.)

2. On March 24, CITT announced that it had decided to commence an inquiry into the complaint, to determine "whether bicycles...are being imported into Canada from all sources in such increased quantities and under such conditions as to be a principal cause of serious injury, or threat thereof, to domestic producers of like or directly competitive goods..." CITT told us that questionnaires had already been sent out to concerned parties (questionnaires can be viewed at the CITT website, http://www.citt.gc.ca/question/index_e.asp), and that CITT had already received some completed questionnaires.

3. Econoff spoke with a representative of one of the largest bicycle companies in the United States (a U.S.-based company which imports from Asia: over 95% of bicycles in the United States are imports, with the remaining small percentage being high end, high-cost bicycles made in the United States). He said that a potential Canadian safeguard action on bicycles worries U.S. exporters and Canadian importers. Specifically, Wal-Mart, Toys R Us, Canadian Tire and Zellers, all major retail chains, face significantly higher prices if CITT's inquiry results in tariffs or other import restrictions.

4. This U.S. company had, in the past, been reassured that their bicycles imported from Bangladesh and India would not be affected since they are developing countries. CBMA's new safeguard petition, however, could affect all bicycle imports, regardless of national source. Canadian retailers also fear further limits on their ability to obtain less-expensive bicycles to sell to Canadian consumers. The lobby group for independent bicycle retailers, Bicycle Trade Association of Canada, has publicly stated, "Anything that is going to increase the cost of bikes is not a positive thing for independent bike stores and dealers." The CBMA has suggested a 48% duty, a level that would severely harm retailers and U.S. companies alike. The U.S. company whose representative spoke with us could lose \$10 million in business if Canada acts against imports from Asian countries.

5. CITT will report on the inquiry no later than August 9, and potentially-affected companies, including powerhouses such as Wal-Mart and Canadian Tire, are rallying to inform GOC of their concerns. Embassy Econ officers are working with FCS to track developments.